

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-05 NSCE-00 INR-05 L-01

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FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 1799

C O N F I D E N T I A L KINSHASA 2421

LIMDIS

E.O. 11652: GDS

TAGS: ECON, EFIN, CG

SUBJECT: CIS DIFFICULTIES

REF: STATE 063105 AND KINSHASA 2352

1. NEVILLE ADAMS (IECO HQ), LEVIHN AND MILLER (CIS BRIEFED AMB AND DCM MARCH 21 ON ACCUMULATED DIFFICULTIES RESULTING FROM MISSED GOZ YMENTS#(REFTEL RECEIVED AFTER MEETING).

2. LEVIHN REPORTS MORRISON KNUDSEN HAS NOW ADVANCED \$4 MILLION TO COVER DELAYED DISBURSEMENTS. DRAWDOWNS NINE AND TEN TOTALLING \$2.5 MILLION STILL NOT PROCESSED BY FNCB DESPITE EXIMBANG GUARANTEE OF THIS AMOUNT. FNCB NY REPORTS TWO MEMBERS OF SYNDICATE REFUSING TO OK PAYMENT DESPITE EXIM ACTION. IN RESPONSE FNCB DEMAND, DIRGEN NEZEZA (SNEL) MARCH 20 SIGNED LETTER ACKNOWLEDGING GOZ IN TECHNICAL DEFAULT (PARA 1 REFTEL. ADAMS THINKS THIS IS PLAY BY SYNDICATE MEMBERS, SINCE EXIM FUNDS CURRENTLY BEING DISBURSED, TO POSITION THEMSELVES WHEN TIME COMES FOR THEIR DRAWDOWNS.

3. DESPITE EARLIER ASSURANCES \$1.197 MILLION DUE EXIMBANK FEBRUARY 15 HAD BEEN PAID, SNEL HAS BEEN TOLD BY BANQUE DU ZAIRE OFFICIAL PAYMENT CANNOT BE MADE BEFORE MARCH 31 "AT THE EARLIEST". WE CONTINUING PUSH THIS ONE.

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4. ADAMS REPORTS M-K HAS STOPPED ALL FURTHER PURCHASES

UNTIL SITUATION STRAIGHTENED OUT. HE DID AUTHORIZE
50 EMPLOYEES WHO HAD RECEIVED VISAS TO PROCEED TO ZAIRE.

5. LEVIHN PRESSING BANQUE DU ZAIRE TO MAKE PAYMENTS
WHEN DUE AND TO ESTABLISH OPEN-ENDED LINE OF CREDIT
WHICH CIS CAN DRAW ON TO MEET LOCAL COSTS. GOVERNOR
SAMBUWA HAS MADE SYMPATHETIC NOISES BUT SAYS NZEZA HAS NOT PERSONALLY
APPROACHED HIM. MOREOVER, BANK OFFICIALS ALLEGEDLY
CHARGED WITH FOLLOWING UP TOP-LEVEL DIRECTIVES HAVE NOT DONE SO.
NZEZA CONTINUES TO AVOID MEETING WITH LEVIHN.

6. ADAMS AND LEVIHN HAVE APPOINTMENT WITH VICE GOVERNOR
OF BANK MARCH 21 BUT ARE NOT OPTIMISTIC AS TO EFFECTIVE
ACTION.

7. DISCUSSION BROUGHT OUT FACT, WHICH INEVITABLE AS RESULT
CONFUSED SITUATION THAT PROJECT WILL NOT BE COMPLETED
ON TIME WHATEVER NOW HAPPENS AND THAT COST OVERRUN IS IN
CARDS. M-K WANTS TO PIN RESPONSIBILITY CLEARLY ON SNEL
AND IN ADDITION TO BANKERS SEEKING DOCUMENTARY ADMISSION
OF FINANCIAL DEFAULTS, M-K IS GOING TO SEEK DOCUMENTARY
ADMISSION THAT SNEL IS IN DEFAULT ON ITS OVER-ALL CONTRACT
RESPONSIBILITIES. THIS IS WANTED AMONGST OTHER THINGS
SO THAT M-K WILL BE POSITIONED WITH RESPONSIBILITY ON
GOZ WHEN AFTER COMPLETION OF PROJECT FINAL FINANCING IS
LIQUIDATED UNDER CONTRACT.

8. NEED FOR LINE OF CREDIT FROM BANK OF ZAIRE APPEARS
TO BE RELATED BOTH TO CONSIDERATION THAT THERE WILL BE
PRESENTLY UNFINANCED COST OVERRUNS IF PROJECT IS COMPLETED
AND TO TECHNICAL DIFFICULTY THAT AS RESULT SLOW-DOWN
IN TOTAL DISBURSEMENTS OUTSIDE ZAIRE 15/85
FORMULA, WHICH IN ANY CASE WAS DIFFICULT TO LIVE WITH,
HAS BECOME TOTALLY INADEQUATE AS BASIS FOR GENERATING
NEEDED ZAIRES.

9. AMBASSADOR SAID GOZ HAD RECENTLY SET UP FOREIGN
EXCHANGE BUDGET WHICH SHOULD HELP AND WAS ACTIVELY SEEKING LARGE
LOAN TO TIDE IT OVER CURRENT CRUNCH. IF LATTER NOT FORTHCOMING,
MOBUTU THEN HAD CHOICE OF GOING TO INTERNATIONAL FINANCIAL
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INSTITUTIONS OR FACING EVENTUAL ECONOMIC/FINANCIAL CHAOS.
IN ANY CASE, IT IS TOO EARLY FOR CIS TO GIVE UP.

10. COMMENT: WE CONCUR DEPARTMENT'S IMPRESSION PARA 4
REFTEL M-K MANAGEMENT WANTS TO STICK WITH PROJECT IF
THEY CAN BE ASSURED OF PAYMENT. HOWEVER, IT ALSO EVIDENT THAT
INDIVIDUALS INVOLVED HERE, TO SAY NOTHING OF M-K
MANAGEMENT IN STATES, ARE NOT OF ONE VIEW AND WE DETECT

GROWING SENTIMENT THAT M-K SHOULD ACT "TO CUT ITS POTENTIAL LOSSES." WE WILL ENDEAVOR USE LIKELY VISIT NEXT WEEK OF VICE PRESIDENT RICHARD KOHNE TO MAKE PROGRESS ON ISSUES AND TO REGISTER AGAIN OUR VIEW OF IMPORTANCE BOTH TO M-K AND USG THAT IF BREAK IS COMING, IT RESULT AS CLEARLY AS POSSIBLE FROM GOZ ACTIONS OR INACTIONS.

11. AS FOR AMBASSADOR'S WARNING TO GOZ, IF DIRECT WARNINGS TO BISENGIMANA CAN BE SO CONSIDRED, GOZ IS ADVISED AND IN ADDITION NUMEROUS MESSAGES HAVE BEEN PASSED THROUGH INTERMEDIARIES. REAL QUESTION WHICH INVOLVES CONSIDERATIONS GOING FAR BEHOND CIS MESS, IS WHETHER OR NOT TO PRESS HARDER FOR MEETING WITH MOBUTU. IN THIS CONNECTION, I WOULD LIKE TO KNOW A GREAT DEAL MORE THAN I PRESENTLY KNOW BUT DEPT COULD HELP ON TWO POINTS: FIRST, OIL FACILITY AUTOMATICITY (KINSHASA 2352) AND SECOND, LIKELY TIMING OF GOLD TRANCHE DRAW AND OIL FACILITY DRAW.

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NOTE BY OC/T: #AS RECEIVED.

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